



STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE ENROLLED BILL ANALYSIS

DRAFT

Date:	Enrolled	Bill No:	Assembly Billx1 21
Tax Program:	Insurance	Author:	Blumenfield
Sponsor:	Author	Code Sections:	RTC 12009, 12201, 12204, 12207, 12242, 12243, 12412, 12413, 12421, 12422, 12423, 12427, 12428, 12429, 12431, 12433, 12434, 12631, 12632, 12636, 12636.5, 12679, 12681, 12951, 12977, 12983, & 12984
Related Bills:	SBx1 9 (Committee on Budget)	Effective Date:	Immediately upon enactment

This analysis only addresses the provisions that impact the BOE.

BILL SUMMARY

Among other things, this bill would extend the insurance gross premiums tax on Medi-Cal managed care plans, from July 1, 2011, to July 1, 2012.

ANALYSIS

CURRENT LAW

Section 12201 of the Revenue and Taxation Code imposes an annual tax on every Medi-Cal managed care plan doing business in this state at a rate of 2.35 percent, until July 1, 2011. The revenues derived from the imposition of the tax on Medi-Cal managed care plans are continuously appropriated to the State Department of Health Care Services (DHCS) for purposes of the Medi-Cal program in an amount equal to the difference between 100 percent and the applicable federal medical assistance percentage, with the balance appropriated to the Managed Risk Medical Insurance Board for purposes of the Healthy Families Program.

The basis of the tax for a Medi-Cal managed care plan is the “total operating revenues,” which is defined to mean all amounts received by a Medi-Cal managed care plan in premium or capitation payments for the coverage or provision of all health care services, including, but not limited to, Medi-Cal services. Total operating revenues do not include amounts received by a Medi-Cal managed care plan pursuant to a subcontract with a Medi-Cal managed care plan to provide health care services to Medi-Cal beneficiaries.

Section 12009 defines a “Medi-Cal managed care plan” to mean any individual, organization, or entity, other than an insurer or a dental managed care plan, that enters into a contract with the DHCS, as described.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE’s formal position.

The “in lieu of” provision that currently exempts insurers from all other state and local taxes and licenses (with certain specified exceptions) does not apply to a Medi-Cal managed care plan. Accordingly, Medi-Cal managed care plans continue to be subject to other state, county, and municipal taxes and licenses, as applicable.

PROPOSED LAW

This bill would extend the imposition of the gross premiums tax on every Medi-Cal managed care plan in this state, from July 1, 2011, to July 1, 2012.

This bill would become effective immediately as an urgency statute, but operative only if specified events relating to the Healthy Families Program (HFP) and the Managed Risk Medical Insurance Board do not occur, and, if operative, would exempt Medi-Cal managed care plans from the gross premiums tax if those specified events do occur. Furthermore, the act would become inoperative if any of its provisions are amended or repealed.

IN GENERAL

Medi-Cal is California's Medicaid program. The [DHCS's website](#) describes Medi-Cal as a public health insurance program which provides needed health care services for low-income individuals including families with children, seniors, persons with disabilities, foster care, pregnant women, and low income people with specific diseases such as tuberculosis, breast cancer, or HIV/AIDS. Medi-Cal is financed equally by the State and federal government.

As of February 2011, 58 percent of the Medi-Cal beneficiaries were served by managed care plans, which have networks of providers, including doctors, pharmacies, and health education programs.

BACKGROUND

In 2009, AB 1422 (Ch. 157, Bass) subjected Medi-Cal managed care plans to the insurance gross premiums tax at a rate of 2.35 percent of their total operating revenues, until December 31, 2010. In 2010, AB 853 (Ch. 717, Committee on Health) extended the gross premiums tax on Medi-Cal managed care plans to July 1, 2011.

COMMENTS

1. **Sponsor and purpose.** This bill is sponsored by the author and contains the necessary statutory changes to achieve savings assumed in the 2011 Budget Act for the Managed Risk Medical Insurance Board.
2. **The BOE staff does not foresee any administrative problems with this bill.** The insurance tax is administered by three state agencies, the BOE, the Department of Insurance (DOI), and the Controller. The Controller acts as a collector of the tax. The DOI is primarily responsible for licensing and regulating insurers under the Insurance Code. This includes assessing the amount of tax each insurer is required to pay and conducting audits. The BOE is responsible for issuing the assessments determined by DOI and for deciding the validity of any petition for redetermination.

Extending the imposition of the gross premiums tax on Medi-Cal managed care plans would not change the roles or responsibilities of the BOE.

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3. **Related Bills.** This bill contains provisions identical to SBx1 9 (Committee on Budget), which is currently in the Assembly Budget Committee.

COST ESTIMATE

The BOE's administrative costs related to this bill would be minor and absorbable.

REVENUE ESTIMATE

Assessment of the gross premiums tax is the responsibility of the DOI. As such, no revenue estimate will be provided as this is outside the scope of the responsibility of the BOE.

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